

CHAPTER 220.

BANKING DEPARTMENT.

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220.01 Department established. There is hereby established in this state a banking department, which shall have charge of the execution of the laws relating to banks and the banking business in this state. Such department shall be designated as the state banking department, and shall be under the management and control of a banking commission. There is also established as a part of said department a board consisting of five members to be known as the banking review board which shall have such powers and perform such duties as are prescribed by law. [*Spl. S. 1931 c. 10 s. 1; 1933 c. 374 s. 3*]

220.02 Banking commission. (1) There is hereby created a commission which shall be known as the "Banking Commission." Said commission shall consist of three members, all of whom shall be appointed by the governor, with the advice and consent of the senate. Of the members first appointed the term of one member shall expire on April 1, 1935, of another member on April 1, 1937, and of the third member on April 1, 1939. As the terms of the members first appointed shall expire their successors shall be appointed for terms of six years and each member shall hold office until his successor shall have been appointed and shall have qualified. All of the members shall devote full time to the duties of their office and one of said members shall be a person who has had at least five years of experience as the executive of a building and loan association of this state.

(1a) The commission shall be known collectively as the "Banking Commission of Wisconsin" and in that name may sue and be sued. A majority of the members of the commission shall constitute a quorum for the exercise of the power conferred upon it. In case of a vacancy, the remaining two members of the commission shall exercise all the powers of the commission until such vacancy is filled. Service on any member of the banking commission shall constitute sufficient service on the banking commission and all of the members thereof.

(2) Whenever in the statutes or in any session law the terms "commissioner of banking" or "commissioner" referring to the commissioner of banking shall occur, said terms shall be understood and construed to refer to the banking commission.

(3) The salaries of the members of the banking commission, deputies, examiners and clerks shall be paid monthly by the state treasurer, upon a voucher countersigned by the secretary of state. Vouchers for the deputies', the examiners' and clerks' salaries must be first approved by the chairman of the banking commission.

(4) Each member of the banking commission and his deputies shall execute and file an official bond in the penal sum of twenty-five thousand dollars, with two or more sureties, or a surety company, approved by the governor. The examiners shall each, in like manner, execute and file an official bond in the sum of ten thousand dollars. There shall be assigned to said banking commission suitable rooms in the state capitol for conducting the business of said department. All necessary stationery, printing and supplies shall be furnished to the state banking department upon requisition therefor, in like manner as other state departments are now supplied.

(5) Any interested person or any bank or banking corporation aggrieved by any act, order or determination of the banking commission may, within ten days from the date of such act, order or determination, apply to the banking review board to review the action

of the commission. All such applications for review shall be considered and disposed of as speedily as possible. The banking review board may require the banking commission to submit any of its official actions to said board for its approval. [*Spl. S. 1931 c. 10 s. 1; Spl. S. 1931 c. 15 s. 2; 1933 c. 7; 1933 c. 374 s. 1, 2, 3; 1935 c. 245; 1937 c. 284 s. 3*]

220.03 Seal. The banking commission shall devise a seal for its use. A description of the seal, with an impression thereof, shall be filed in the office of the secretary of state. [*1935 c. 245*]

220.035 Banking review board. (1) The five members of the banking review board shall be appointed by the governor with the advice and consent of the senate. At least two members of the board shall be experienced bankers having at least five years' experience in the banking business. There shall be appointed by the governor one member whose term shall expire on the first Monday of January, 1933; a second to expire on the first Monday of January, 1934; a third to expire on the first Monday of January, 1935; a fourth to expire on the first Monday of January, 1936; a fifth to expire on the first Monday of January, 1937. After the expiration of these respective terms the term of each member of said board shall be five years expiring on the first Monday of January of the proper year in each case. Vacancies shall be filled by appointment by the governor.

(2) The duties of the board shall be to advise with the banking commission and others in respect to improvement in the condition and service of banks and banking business in this state and to review the acts and decisions of the banking commission and to perform such other review functions in relation to banking as may be provided by law. The board shall have the same powers in respect to subpoenaing witnesses as are possessed by the industrial commission and also the power granted by subsection (4) of section 325.01. Any party in interest shall have the right to appear in any proceeding of the board and shall have the right to participate in the examination of witnesses and to present evidence. Any person causing a witness to be subpoenaed shall advance and pay the fees and mileage of such witness which shall be the same as in circuit court. The fees of witnesses who are called at the instance of the board in the interests of the state shall be paid by the state in the same manner that other expenses are audited and paid upon presentation of properly verified vouchers approved by at least one member of the board and charged to the appropriation of the banking department. Each member of the board and all employees of the board shall, with respect to the disclosure of information concerning banks, be subject to the same requirements and penalties as the banking commission. Three members shall constitute a quorum and a majority vote of those present shall decide. No member of such board shall be qualified to act in any matter involving a bank in which he is an officer, director or stockholder or to which he is indebted.

(3) Any final order or determination of the banking review board shall, unless some other method of review is specially provided by law, be subject to review in an action in the circuit court for Dane county which action shall be governed as to time of commencement and in all other respects by the provisions of law as to actions to review awards of the industrial commission except that in actions to review orders or determinations of the banking review board additional evidence may in the discretion of the court be received in the circuit court or the case sent back to the review board for the taking of further testimony if the court shall be of the opinion that additional evidence should be taken. On any such review the court shall affirm, reverse or modify the order or determination of the banking review board as the evidence and the law may require. Appeals to the supreme court from the circuit court shall, as to time of appeal and in all other respects, be governed by the same provisions that apply to appeals from said court in cases arising out of awards of industrial commission.

(4) The said board shall have an office in the quarters of the banking department in the state capitol. Said board shall choose a secretary, who shall keep a record of the meetings of said board and of all hearings, decisions, orders and determinations of the board. The board may make reasonable rules and regulations not inconsistent with law as to the time of meetings, time of hearings, notice of hearings and manner of conducting same and of deciding the matters presented. The board may direct that hearings and testimony be taken by any member of the board or by an examiner designated by the board.

(5) The members of said board shall receive reimbursement from the state for their actual expenses as in case of other state officers. They shall also each receive fifteen dollars per day for each day expended in the work of the board, but such compensation for service shall not exceed in the case of any one member nine hundred dollars per year, exclusive of expenses. The expenses of the banking review board including salaries and expenses of members of board and employees thereof shall be paid by the state upon the presentation of properly verified vouchers approved by at least one member of the board and the secretary of the board and shall be charged to the appropriation to the banking department. The board may employ assistance necessary in the performance of its work and fix

the reasonable compensation therefor, subject to provisions of any statutes applicable thereto.

(6) Any bank whose assets, upon the basis of a fair valuation, are equal to or in excess of its liabilities exclusive of capital stock, preferred stock, capital notes and debentures, shall be deemed to be safe and solvent. The banking review board may prescribe schedules, rules and regulations for arriving at a fair valuation of various classes of assets of banks. [*Spl. S. 1931 c. 10 s. 2; 1933 c. 6 s. 4; 1937 c. 284*]

Note: A depositor withholding consent to a bank stabilization agreement approved by the commissioner of banking under 220.07 (16), Stats. 1933, was not entitled, in an action against the bank on certificates of deposit, to attack the stabilization agreement as lacking the consent of the requisite amount of depositors and unsecured creditors, without first having brought the matter before the banking review board for review. *Corstvet v. Bank of Deerfield*, 220 W 209, 263 NW 687.

220.04 Powers of commission. (1) (a) The banking commission by any commissioner, deputy or examiner shall examine at least once in each year the cash, bills, collaterals, securities, assets, books of account, condition and affairs of each bank, trust company bank and mutual savings bank doing business in this state, except national banks. For that purpose the commission may examine on oath any of the officers, agents, directors, clerks, stockholders, customers or depositors thereof, touching the affairs and business of such institution. In making such examinations of banks, the banking commission shall determine the fair valuation of all assets in accordance with the schedules, rules and regulations prescribed by the banking review board.

(b) In lieu of any examination other than the one required to be made by the banking commission under paragraph (a), the commission may accept any examination that may have been made of any bank, trust company bank or mutual savings bank within a reasonable period by the federal deposit insurance corporation, provided a copy of said examination is furnished to said banking commission. Said commission may also accept any report relative to the condition of any such bank which may have been obtained by said corporation within a reasonable period, in lieu of a report which may be required under the laws of this state, provided a copy of such report is furnished to said commission.

(2) The banking commission shall examine, or cause to be examined, any bank when requested by the board of directors of such bank. The banking commission shall also ascertain whether such bank transacts its business at the place designated in the articles of incorporation, and whether its business is conducted in the manner prescribed by law. Such banking commission may, in the performance of its official duties, issue subpoenas and administer oaths; provided, that in case of any refusal to obey a subpoena issued by it or its deputy, such refusal shall be at once reported to the circuit court of the circuit in which the bank is located, and said court shall enforce obedience to such subpoena in the manner provided by law for enforcing obedience to the subpoenas of said court.

(3) When any banks shall be in the hands of the commission and an assessment shall be made against the stockholders thereof to enforce payment of the double liability, the commission or its duly appointed deputy or agent shall have the right to prosecute an action in a foreign state to enforce such liability against a stockholder residing in such foreign state.

(4) Whenever the banking commission is of the opinion that the loaning, investing or other banking policies or practices of any officer or director of any bank have been prejudicial to the best interests of such bank or its depositors, or that such policies or practices, if put into operation or continued, will endanger the safety or solvency of said bank or impair the interests of its depositors, the commission may, with the approval of the banking review board, request the removal of such officer or director. Such request shall be served on the bank and on such officer or director in the manner provided by law for serving a summons in a court of record or shall be transmitted to said bank and officer or director by registered mail with return receipt requested. If such request for removal is not complied with within a reasonable time fixed by the commission it may by order, with like approval of the banking review board, remove such officer or director, but no order of removal shall be entered until after an opportunity for hearing before the banking review board is given to such officer or director upon not less than ten days' notice. An order of removal shall take effect as of the date issued. A copy of such order shall be served upon the bank and upon such officer or director in the manner provided by law for service of a summons in a court of record or by mailing such copy to such bank or officer or director at his last known post-office address. Any removal under this subsection shall be effective in all respects the same as if made by the board of directors or stockholders of said bank. Any officer or director removed from office under the provisions of this subsection shall not be reelected as an officer or director of any bank without the approval of the banking commission and the banking review board. An order of removal under this subsection shall be deemed a final order or determination of the banking review board within the meaning and contemplation of subsection (3) of section 220.035.

(5) The banking commission in connection with the liquidation of any bank, banking corporation or building and loan association or when called upon to approve any plan of reorganization and stabilization of any bank, banking corporation or building and loan association or when it is satisfied the interests of the depositors and creditors in assets held under any trust arrangement so require in connection with the reorganization and stabilization of any bank, banking corporation or building and loan association, may cause such bank, banking corporation or building and loan association or such trust to be audited. The expense of such audit shall, upon the certificate of the commission, be refunded forthwith to the banking department by such bank, banking corporation, building and loan association or the trustee or trustees of such trust fund out of the assets of such bank, banking corporation, building and loan association or trust. Such charges shall be a preferred claim against such assets until paid.

(6) (a) The banking commission, with the approval of the banking review board, may establish uniform savings rules which shall be adopted by every bank, savings bank and trust company bank. Such rules may provide the conditions under which banks, savings banks or trust company banks may accept time deposits, and the maximum rate of interest on deposits, whether certificates of deposit or book savings deposits, and the methods of figuring such interest. Such rate of interest may be changed from time to time as economic conditions may require. Such rules may also provide the term of notice of withdrawal and the amounts which may be withdrawn by depositors, which conditions the bank may put in force in times of financial stress by action of its board of directors.

(b) In times of financial distress, the banking commission with the approval of the banking review board may by order restrict the withdrawal of any class of deposits in any bank, savings bank or trust company bank. The commission shall publish such order at least once in the official state paper and said order shall be effective upon the first publication thereof unless otherwise provided in said order. The pendency of any proceeding for review of such order shall not stay or suspend the operation of such order.

(c) The banking commission with the approval of the banking review board may classify the several banks, savings banks and trust company banks and may establish uniform rules for each classification fixing reasonable charges to be collected by each bank, savings bank or trust company bank within such classification for banking services rendered. [1933 c. 6 s. 3, 4; 1933 c. 362 s. 1, 2; 1933 c. 369; 1935 c. 245, 458; 1937 c. 284 s. 3]

220.05 Examination fees; assessment by banking commission. (1) The banking commission shall assess each state bank, mutual savings bank and trust company bank for the cost of each examination made, which cost shall be determined by the banking commission and shall include the salaries and expenses of all examiners and other employes of the commission actively engaged in such an examination, the salaries and expenses of any commissioner, review examiner or other person whose services are required in connection with such examination and any reports thereof, and any other expenses which may be directly apportioned. Any charge so made shall be paid within thirty days from the time the bank receives notice of the assessment.

(2) On or before the fifteenth day of July of each year, each state bank, mutual savings bank and trust company bank shall pay to the banking commission an annual assessment for the maintenance of the state banking department in an amount to be determined by the banking review board, but which shall not exceed eight cents per thousand dollars of resources, or part thereof, for the first five million dollars and shall not exceed six cents per thousand dollars, or part thereof, for all resources over five million dollars.

(4) In the event the annual fees and assessments shall not equal the sum of one hundred and sixty thousand dollars, the banking commission may increase the assessment in an amount not exceeding ten per centum of the fixed annual assessment for each bank.

(5) Whenever in the judgment of the banking commission, the condition or conduct of any bank renders it necessary or expedient to make an extra examination or to devote any extraordinary attention to its affairs, the banking commission shall have the authority to make any and all necessary extra examinations and audits or partial audits and to devote any necessary attention to the conduct of its affairs; and such bank shall pay for each additional examination, and for each audit or partial audit, the actual cost thereof. Where an audit or partial audit is ordered, the actual reasonable cost of auditors shall be charged. Before directing any examination in excess of two or any audit or partial audit, the banking commission shall examine the audits and examinations of any clearing house association as to the bank in question which may be furnished to it and shall avoid duplication of examinations, audits or partial audits wherever reasonably possible. In case of audits or partial audits for which a charge may be made under the provisions of this section, the commission shall promptly send a copy to the bank and the bank shall pay the reasonable cost thereof. When the commission delivers to a bank a copy of any examination, audit or partial audit, it may by letter accompanying same require the bank to have

the receipt of same acknowledged in the record of the next meeting of directors of the bank and may require that there be sent to it a certified copy of action by the directors showing that all the directors of the bank have read said copy and are familiar with its contents and have signed a statement to such effect on the copy received by the bank and may require that a duplicate of such signed statement signed by all directors to be sent to the banking commission to be attached to and filed with the original of such examination, audit or partial audit on file in the department. Failure of the bank or its board of directors or any of them to comply with any such order or direction of the commission within a reasonable time fixed by it shall be sufficient ground for the taking of possession of said bank by the commission and liquidating said bank under the provisions of section 220.08.

(6) After January 15, 1932, any bank or trust company holding any property in trust or in any fiduciary capacity or as custodian or bailee shall pay in addition to said fees assessments provided for in subsections (2), (3) and (4) of this section the actual reasonable cost of any and all examinations (whether or not they are in excess of two in any one year) conducted by the banking department of the books, records and business of said bank or trust company in so far as they relate to said property held in trust or other fiduciary capacity, or as custodian or bailee, said cost to include a fair charge for time of assistants and office overhead and to be determined by the banking commission within a reasonable time after each said examination has been completed. A statement of such charge shall be promptly sent to said bank or trust company. Each such bank or trust company shall pay such charge within ten days after receipt of such statement. Said cost shall include the cost of furnishing copy to the bank or trust company. If an examination or part thereof is charged and fully paid for under the provisions of subsection (4) of this section such examination or part thereof shall not be again charged for under provisions of this subsection. [1931 c. 67 s. 172; Spl. S. 1931 c. 10 s. 4; 1933 c. 362 s. 1; 1935 c. 245; 1937 c. 284 s. 3]

Note: Trust account cash of trust company banks operating under chapter 223, Stats., should not be included in determining resources of trust company for purpose of levying assessment provided by 220.05 (2). 26 Atty. Gen. 520.

220.06 Not to disclose information. (1) No commissioner of banking, deputy, assistant deputy or examiner shall examine a bank in which he is interested as a stockholder, officer, employe or otherwise. No commissioner of banking, deputy, assistant deputy or examiner shall examine a bank located in the same village, city or county with any bank in which he is interested as stockholder, officer, employe, or otherwise. The commissioner of banking, his deputy, assistant deputies and every clerk in this department, and each member of the banking review board and every employe thereof, shall be bound by oath to keep secret all of the facts and information obtained in the course of such examinations, except so far as the public duty of such officer requires him to report upon or take special action regarding the affairs of any bank, and except when called as a witness in any criminal proceeding or trial in a court of justice; and except that such commissioner, deputy, assistant deputy or examiner, or other person referred to herein, may in his discretion and under such rules and regulations as prescribed by such commissioner compare notes as to names of borrowers, lines of credit, and other matters affecting a bank, with a national bank examiner, a clearing house examiner, or an examiner for an insurance company duly licensed in the state of Wisconsin to insure or guarantee depositors or deposits in banks or trust companies, and having such insurance in force. Said commission may furnish to the federal deposit insurance corporation, or to any official or examiner thereof a copy of any examination made of any such bank or of any report made by such bank, and may give access to and disclose to said corporation or to any official or examiner thereof any information possessed by said commission with reference to the conditions or affairs of any such insured bank.

(2) If any commissioner of banking, deputy, assistant deputy, examiner or clerk in such department or any member of the banking review board or any employe thereof shall disclose the name of any debtor of any bank, or anything relative to the private account or transactions of such bank, or shall disclose any fact obtained in the course of any examination of any bank, except as herein provided, he shall be subject, upon conviction thereof, to forfeiture of his office, or position and to the payment of a fine of not less than one hundred dollars nor more than one thousand dollars, or imprisonment in the state prison not less than six months nor more than two years, or to both such fine and imprisonment. [Spl. S. 1931 c. 10 s. 5; 1935 c. 245]

Note: There was no error in denying the privilege of examining the audits of the commissioner of banking, especially since the court later permitted examination of deputies respecting audits and conditions. *Schwenker v. Teasdale*, 206 W 275, 239 NW 434. It is not permissible to allow assessor of incomes or any other state auditor to audit books or accounts of delinquent bank or to

furnish him with any of bank records at his request. If order of court is given for such disclosure matter should be submitted to attorney-general for steps to be taken to vacate said order by appeal or otherwise. 22 Atty. Gen. 95.

220.065 Immunity of commissioners. The banking commission shall not be subject to any civil liability or penalty, nor to any criminal prosecution, for any error in judgment or discretion made in good faith and upon reasonable grounds in any action taken or omitted by him in his official capacity under the provisions of chapters 220 to 225. [*Spl. S. 1931 c. 15 s. 3; Spl. S. 1931 c. 26 s. 1*]

220.07 Banks. (1) **CAPITAL IMPAIRED; DUTY OF COMMISSION; DEFICIENCY.** Whenever the banking commission shall become satisfied that the capital of any bank is impaired or reduced below the amount required by law or the articles of incorporation, or below the amount certified to the banking commission as paid in, it shall have the power to require such bank under its hand and seal of office to make good such impairment or deficiency within sixty days after the date of such requisition. In any case, where the capital of a bank shall have become impaired or reduced below the amount required by law or the articles of incorporation, the board of directors of such bank shall have the power to make a pro rata assessment upon all of the stock of said bank to make good such deficiency, and may provide that the amount of such deficiency shall be due and payable at a time to be fixed by such board of directors, which time shall be not less than ten days after notice of said assessment; provided, that notice to stockholders residing in another state shall be given by registered mail and a return receipt demanded. If any stockholder shall fail or neglect to pay the amount of the assessment against his stock for ten days after the same shall have become so due and payable, the directors of such bank may offer said stock for sale, and sell the same at public sale upon ten days' notice to be given by posting copies of such notice of sale in five public places in the town, village or city where such bank is located. Upon such sale, the purchaser shall forthwith pay the amount of the assessment against said stock. The amount received from the sale of said stock, less the cost and expenses of such sale, shall be paid to the original owner of such stock.

(2) **REVIEW OF COMMISSION'S ORDER.** In any case where the commission has made an order requiring capital to be made good, the bank may within ten days after the making of said order secure a review of same by the banking review board by filing in the office of the commission a statement requesting such review and stating the grounds of objection to the order of the commission. Said board shall promptly conduct a hearing thereon after affording reasonable notice to the bank and shall affirm, modify or set aside the order of the commission. No such review or hearing shall extend the time for compliance with the order of the commission unless the banking review board shall so direct. [*Spl. S. 1931 c. 10 s. 6, 7; Spl. S. 1931 c. 15 s. 1, 3; 1933 c. 6 s. 2, 4; 1933 c. 17 s. 2; 1933 c. 362 s. 1, 2; 1933 c. 484 s. 1; Spl. S. 1933 c. 2; 1935 c. 245; 1937 c. 284 s. 3*]

Note: Upon a sale of stock for failure to pay an assessment to repair capital, the bank had no right to stipulate that the sum bid at the sale should be entirely applied upon the assessment. Where such an illegal sale was made and the sale was rescinded by the bidder and the bank, the holder of the stock sold could not recover the proceeds of the sale. *Hanna v. Curtiss S. Bank, 204 W 174, 235 NW 416.*

A prosecution against the commissioner of banking for violating his duty as to closing a bank must be brought in Dane county. *State ex rel. Schwenker v. District Court, 206 W 600, 240 NW 406.*

See note to 221.42 citing *In re Plain State Bank, 217 W 257, 258 NW 783.*

For cases construing 220.07 (16), Stats. 1933, see *Corstvet v. Bank of Deerfield, 220 W 209, 263 NW 687*, and cases annotated in Stats. 1935 under 220.07.

An agreement of bank stockholders to pay a voluntary assessment which was levied by the board of directors pursuant to (1) or, in the event of failure to pay, to sell the stock to trustees for a nominal price and to waive the statutory notice relative to forfeiture of stock for nonpayment of a voluntary assessment, imposed no greater liability than that imposed by the voluntary assessment statute itself, and hence the agreement imposed no personal liability for payment of the assessment. *Estate of White, 223 W 270, 270 NW 34.*

Section 220.07 (20), Stats. 1933, is not re-

trospective in its operation, and hence stockholders who prior to its enactment had responded to a voluntary assessment under a stabilization agreement were not relieved from liability for a subsequent statutory assessment. *Banking Commission v. Wiemann, 223 W 494, 271 NW 30.*

Where at time defendant became stockholder in bank, statute imposed liability on stockholders for benefit of creditors to the amount of their stock in addition to the amount invested therein, subsequent statute declaring such liability to accrue upon the commissioner of banking taking possession of the property and business of the bank, or whenever stabilization and readjustment agreement between bank, depositors, and unsecured creditors had been approved by commissioner of banking held not to increase her liability as stockholder so as to impair the contract entered into when she became a stockholder (220.07 (20), 221.42, Stats. 1933). *Cleary v. Brokaw, 224 W 408, 272 NW 831.*

The payment of a voluntary stabilization assessment by a stockholder of the bank does not exempt him from the statutory assessment upon the bank's insolvency. *Banking Commission v. Purves, 223 W 21, 279 NW 634.*

For effect of voluntary payments upon stockholders' double liability in case of failure of the bank, see annotation to section 221.42, citing *Banking Commission v. Prudential Inv. Co., 229 W 628, 282 NW 40.*

See note to 221.42, citing 22 Atty. Gen. 410.

220.075 Banks, ratio of capital to deposits. Whenever the daily average of the aggregate deposits for a period of one year in any bank shall be in excess of an amount equal to fifteen times the capital lawfully paid in and unimpaired plus ten times the undistributed surplus, such surplus to be computed after eliminating all items classified by the

banking commission as doubtful or loss, such bank shall within one year, after notice to this effect from the banking commission, increase its capital or surplus so that such daily average of its aggregate deposits will no longer exceed such amount; provided that no stock dividend shall be declared out of surplus that will reduce the surplus to less than ten per cent of the capital as increased. Failure on the part of any bank to comply with an order of the banking commission issued pursuant to this section shall be cause for the forfeiture of the charter of such bank. [1935 c. 245]

220.08 Delinquent banks; commission may take possession. (1) Whenever it shall appear to the banking commission that any bank or banking corporation to which this chapter is applicable has violated its charter or any law of the state, or is conducting its business in an unsafe or unauthorized manner, or if the capital of any such bank or banking corporation is impaired, or if any such bank or banking corporation shall refuse to submit its books, papers, and concerns to the inspection of any examiner, or if any officer thereof shall refuse to be examined upon oath touching the concerns of any such bank or banking corporation, or if any such bank or banking corporation shall suspend payment of its obligations, or if from any examination or report provided for by this chapter the commission shall have reason to conclude that such bank or banking corporation is in an unsound or unsafe condition to transact the business for which it is organized, or that it is unsafe and inexpedient for it to continue business, or if any such bank or banking corporation shall neglect or refuse to observe an order of the commission, specified in section 220.07 of the statutes, or if the commission shall find that the management of the bank or the manner in which the work of any of its officers or employes is done, if continued, is such as to endanger the safety or solvency of the bank and the commission shall have made written recommendations for change in management or officers and employes and such recommendation shall not have been complied with after the expiration of a reasonable time therefor fixed by the commission, the commission may take possession of the property and business of such bank or banking corporation, and retain such possession until such bank or banking corporation shall resume business, or its affairs be finally liquidated as herein provided. Whenever facts have come to the attention of the commission which cause it to believe that it may be necessary or advisable to take possession of a bank, or if it has reasonable cause to believe that any of the grounds for taking possession of a bank, specified in this section, exist, it shall bring the matter to the attention of the banking review board, reporting to them in writing the situation and its own recommendation as to action to be taken. The banking review board shall promptly consider the matter and promptly decide whether or not the commission should take possession of the bank. If the review board decides that the commission should take possession, it shall forthwith take possession as hereinbefore provided. If at any time the banking commission is confronted with an emergency situation where in its opinion it is imperative in order to protect the public or for other reasons that possession of the bank be at once taken, it may do so forthwith without referring the matter to the banking review board.

(2) On taking possession of the property and business of any such bank or banking corporation, the commission shall forthwith give notice of such fact to any and all banks or banking corporations holding or in possession of any assets of such bank or banking corporation. No bank or banking corporation knowing of such taking possession by the commission, or notified as aforesaid, shall have a lien or charge for any payment, or advance, thereafter made, or liability thereafter incurred, against any of the assets of the bank or banking corporation of whose property and business the commission shall have taken possession as aforesaid, except that all drafts issued and delivered against existing balances on deposit in any drawee banks or banking corporations shall be paid on presentation, if they correspond by number and amount to a list to be certified to them by the banking commission, its deputies or representatives, and if there be insufficient funds in deposit such drafts shall be preferred claims. Such bank or banking corporation may, with the consent of the commission, resume business upon such conditions as may be approved by it.

(3) Upon taking possession of the property and business of such bank or banking corporation, the commission is authorized to collect moneys due to such bank or banking corporation, and do such other acts as are necessary to conserve its assets and business, and shall proceed to liquidate the affairs thereof, as hereinafter provided. The commission shall collect all debts due and claims belonging to it, and upon the order of the circuit court may sell or compound all bad or doubtful debts, and on like order may sell all the real and personal property of such bank or banking corporation on such terms as the court shall direct; and may, if necessary to pay the debts of such corporation, enforce individual liability of the stockholders.

(3a) That in addition to the authority conferred by the preceding subsection, the banking commission with the approval of the banking review board may, for purposes of

collection or liquidation, sell, assign, convey and transfer or approve the sale, assignment, conveyance and transfer of the assets of a closed bank or bank operating under a stabilization and readjustment agreement to any other bank or trust company under such terms and conditions as it may deem for the best interests of the depositors and unsecured creditors of such bank.

(3b) The banking commission may delegate to any one of its members any of the powers and authority of the commission, including those relating to the liquidation and reorganization of banks, the conveyance of property, both real and personal, the execution of satisfactions and releases of mortgages and judgments and any other powers which the commission deems it advisable to delegate in the liquidation and reorganization of banks. The acts of any such member under the authority so delegated or the acts of any special deputy commissioner under subsection (4), shall be binding on the banking commission and all the members thereof to the same extent and with like effect as if such acts were done by said commission.

(3m) The deposit account in any such bank or banking corporation of any stockholder thereof shall not apply as an offset on the double liability imposed upon such stockholder under section 221.42.

(4) The commission may, under its hand and official seal, appoint one or more special deputy commissioners, as agent or agents, to assist it in the duty of reorganization, consolidation, liquidation and distribution, the certificate of appointment to be filed in the office of the banking commission and a certified copy in the office of the clerk of the circuit court for the county in which such bank or banking corporation is located. Such special deputy commissioners may execute, acknowledge and deliver any and all deeds, assignments, releases or other instruments necessary and proper to effect any sale and transfer or incumbrance of real estate or personal property after the same has been approved by the banking commission, and an order obtained from the circuit court of the county in which the bank concerned is located. The commission may from time to time authorize a special deputy commissioner to perform such duties connected with such reorganization, consolidation, liquidation and distribution as the commission may deem proper. The commission may employ such counsel and procure such expert assistance and advice as may be necessary in the reorganization, consolidation, liquidation and distribution of the assets of such banks or banking corporations. The commission may retain such of the officers or employes of such banks or banking corporations as it may deem necessary. The commission shall require from a deputy commissioner and from such assistants such security for the faithful discharge of their duties as it may deem proper.

(5) The commission shall cause notice to be given by advertisement, in such newspapers as it may direct, weekly for three consecutive months, calling on all persons who may have claims against such bank or banking corporation, to present the same to the commission, and make legal proof thereof at a place and within a time, to be therein specified, but not earlier than the last day of publication. The commission shall mail a similar notice to all persons whose names appear as creditors upon the books of the bank or banking corporation. Any creditor of such bank or banking corporation holding security of any nature, shall file a claim as a general creditor only for the amount by which the debt exceeds the value of such security. The value of said security and the amount to be allowed on the claim so filed shall, upon application of such creditor or the banking commission and upon at least twenty days' notice to the opposing party, be determined by the circuit court of the county wherein such bank or banking corporation is located. If the commission doubts the justice and validity of any claim, it may reject the same, and serve notice of such rejection upon the claimant either by mail or personally. An affidavit of the service of such notice, which shall be prima facie evidence thereof, shall be filed with the commission. An action upon a claim so rejected must be brought within six months after such service. Claims presented after the expiration of the time fixed in the notice to creditors shall be entitled to receive only liquidating dividends declared after presentation, unless otherwise ordered by the court.

(6) Upon taking possession of the property and assets of such bank or banking corporation, the commission shall make an inventory of the assets of such bank or banking corporation, in duplicate, one to be filed in the office of the commission, and one in the office of the clerk of circuit court for the county in which such bank or banking corporation is located; upon the expiration of the time fixed for the presentation of claims, the commission shall make in duplicate a full and complete list of the claims presented, including and specifying such claims as have been rejected by it, one to be filed in the office of the commission, and one in the office of the clerk of circuit court for the county in which such bank or banking corporation is located. Such inventory and list of claims shall be open at all reasonable times to inspection.

(7) The compensation of the special deputy commissioners, counsel, and other employes and assistants, and all expenses of supervision and liquidation, shall be fixed by the commission subject to the approval of the circuit court for the county in which such bank or banking corporation is located, on notice of such bank or banking corporation, and shall upon the certificate of the commission be paid out of the funds of such bank or banking corporation in the hands of the commission. Expenses of supervision and liquidation shall include the cost of the service rendered by the liquidation division of the banking department to the bank or banking corporation being liquidated and the commission shall from time to time determine what such cost is and the same shall be paid to the banking department as other expenses of liquidation are paid. The moneys collected by the commission shall be from time to time deposited in one or more state banks, and, in case of the suspension or insolvency of the depository, such deposits shall be preferred before all other deposits.

(8) At any time after the expiration of the date fixed for the presentation of claims, the commission may out of the funds remaining in its hands after the payment of expenses declare one or more dividends, and after the expiration of one year from the first publication of notice to creditors, it may declare a final dividend, such dividends to be paid to such persons, and in such amounts, and upon such notice, as may be directed by the circuit court for the county in which such bank or banking corporation is located. Objections to any claim not rejected by the commission may be made by any party interested by filing a copy of such objections with the commission, which shall present the same to the circuit court at the time of the next application to declare a dividend. The court may if deemed advisable provide for the setting aside of a sum sufficient to pay all or any part of the dividends due on any unproved or unclaimed deposits.

(9) Whenever any such bank or banking corporation, of whose property and business the commission has taken possession, as aforesaid, deems itself aggrieved thereby, it may, at any time within ten days after such taking possession, apply to the circuit court for the county in which such bank or banking corporation is located to enjoin further proceedings; and said court, after citing the commission to show cause why further proceedings should not be enjoined and hearing the allegations and proofs of the parties and determining the facts may, upon the merits dismiss such application or enjoin the commission from further proceedings, and direct it to surrender such business and property to such bank or banking corporation. Said bank or banking corporation may, if it desires so to do, within ten days after taking possession apply to the banking review board to review the action of the commission in taking possession. The banking review board shall act speedily on such application. Within ten days after notice of the decision of the banking review board, said bank or banking corporation may apply to said circuit court of the county in which such bank or banking corporation is located to enjoin further proceedings. The proceedings on such application shall be on notice to the banking commission and shall be the same as where the application to the court is made as above provided without application to the review board.

(10) Whenever the commission shall have paid to each and every depositor and creditor of such bank or banking corporation (not including stockholders), whose claim or claims as such creditor or depositor shall have been duly proved and allowed, the full amount of such claims, and shall have made proper provision for unclaimed and unpaid deposits or dividends, and shall have paid all the expenses of the liquidation, the commission shall call a meeting of the stockholders of such bank or banking corporation by giving notice thereof for thirty days in one or more newspapers published in the county where such bank or banking corporation is located. At such meeting the stockholders shall determine whether the commission shall be continued as liquidator and shall wind up the affairs of such bank or banking corporation, or whether an agent or agents shall be elected for that purpose, and in so determining the said stockholders shall vote by ballot, in person or by proxy, each share of stock entitling the holder to one vote, and the majority of the stock shall be necessary to a determination.

(11) In case it is determined to continue the liquidation under the commission, it shall complete the liquidation of the affairs of such bank or banking corporation, and after paying the expenses thereof, shall distribute the proceeds among the stockholders in proportion to the several holdings of stock in such manner and upon such notice as may be directed by the circuit court. In case it is determined to appoint an agent or agents to liquidate, the stockholders shall thereupon select such agent or agents by ballot, a majority of the stock present and voting, in person or by proxy, being necessary to a choice. Such agent or agents shall execute and file with the commission a bond to the people of the state in such amount, with such sureties and in such form as shall be approved by the commission, conditioned for the faithful performance of all the duties of its or their trust, and thereupon the commission shall transfer and deliver to such agent or agents all the undivided or uncollected or other assets of such bank or banking corporation then remain-

ing in its hands; and upon such transfer and delivery, the said commission shall be discharged from any and all further liability to such bank or banking corporation and its or their creditors.

(12) Such agent or agents shall convert the assets coming into his or their possession into cash, and shall account for and make distribution of the property of said bank or banking corporation, as is herein provided in the case of distribution by the commission, except that the expenses thereof shall be subject to the direction and control of the circuit court. In case of the death, removal, or refusal to act of any such agent or agents, the stockholders, on the same notice, to be given by the commission upon proof of such death, removal, or refusal to act being filed with it, and by the same vote hereinbefore provided, may elect a successor, who shall have the same powers and be subject to the same liabilities and duties as the agent originally elected.

(13) Dividends and unclaimed deposits which have been provided for and remaining unpaid in the hands of the commission for six months after the order for final distribution shall be by it deposited in one or more state banks, to the credit of the banking commission, in trust for the several depositors with and creditors of the liquidated bank or banking corporations from which they were received entitled thereto. The commission shall report to the governor annually in its report the names of banks or banking corporations so taken possession of and liquidated and the sums of unclaimed and unpaid deposits or dividends with respect to each of them respectively.

(14) The commission may pay over the moneys so held by it to the persons respectively entitled thereto, upon being furnished satisfactory evidence of their right to the same. In cases of doubt or conflicting claims, the commission may require an order of the circuit court authorizing and directing the payment thereof. The commission may apply the interest earned by the moneys so held by it towards defraying the expenses in the payment and distribution of such unclaimed deposits or dividends to the depositors and creditors entitled to receive the same, and if necessary may draw on the fund to defray such expenses. After one year from the time of the order for final distribution, all unclaimed funds shall be turned over to the state treasury by said commission and shall be kept in a separate fund. All claims subsequently arising shall be presented to the banking commission. If the commission determines that any claim so presented is a proper claim against said fund it shall certify to the secretary of state the name and address of the person entitled to payment and the amount thereof and shall attach said claim to said certificate. The secretary of state shall thereupon draw his warrant on the state treasurer for payment of the amount stated in said certificate to the person named thereon.

(15) Whenever the banking commission, with a view of restoring the solvency of any bank of which it has taken charge pursuant to law, shall approve a reorganization plan entered into between the depositors and unsecured creditors of such bank and the bank or reorganizers thereof, which represent eighty per cent of the amount of deposits and unsecured claims of such banks, then and in such case all other depositors and unsecured creditors shall be held to be subject to such agreement to the same extent and with the same effect as if they had joined in the execution thereof, and their claims shall be treated in all respects as if they had joined in the execution of such articles or reorganization plan in the event of restoration of such bank to solvency, and the reopening of the same for business. The state board of deposits and the governing board of any county, city, village, town, drainage district, power district, school district, sewer district, or other governmental subdivision, or any commission, committee, board or officer thereof, having any funds on deposit at the time of the closing of the bank are authorized to join in any reorganization plan, if, in the judgment of such state board of deposits or other governing board, the reorganization plan is in the best interests of all persons concerned. All deposits made in any state bank subsequent to the passage of this section shall be subject to the conditions hereof.

(16) Whenever the banking commission is informed, within ten days after it has taken charge of a bank pursuant to law, that a plan for the reorganization of such bank is being considered, the commission may refrain from complying with any or all of the provisions of this section for such time as it deems advisable, but for not more than forty days after it has taken charge of said bank. The approval by the commission and the acceptance by the depositors and unsecured creditors of a reorganization plan within the time specified as provided in subsection (15), shall operate to relieve the commission of the duties and liabilities provided by this section in the case of liquidation of banks.

(17) Whenever it shall appear to the banking commission that the books and records of any liquidated bank or banking corporation are no longer required by him, he may make application to the circuit court having jurisdiction of such liquidated bank or banking corporation for an order determining what books and records are to be kept and what destroyed, stating in such application his recommendations thereon. Said circuit court

shall thereupon enter an order determining what books and records shall be kept and what shall be destroyed. The books and records ordered preserved shall be delivered to the clerk of such court to be kept by him until further order of the court.

(18) Whenever any bank or banking corporation has been completely liquidated, the banking commission shall and it is hereby authorized to cancel the charter of such bank or banking corporation.

(19) Segregated trusts heretofore or hereafter created in connection with the stabilization and readjustment or reorganization of a bank shall be administered and liquidated under the supervision of the banking commission and the circuit court of the county in which the bank is located.

(a) The trustees shall be confirmed by the circuit court of the county wherein such bank is located and shall be subject to removal by said court.

(b) The administration and liquidation of such trust shall be subject to the supervision of the banking commission and as far as practicable shall be subject to the approval of the circuit court of the county wherein such bank is located in the same manner and to the same extent as is the administration of banks in liquidation under the provisions of this section.

(c) The banking commission shall make such examinations of the books, records and assets of such trust as it deems necessary and shall submit copies of such examinations to the trustees and to the circuit court. The cost of such examinations and the cost of the supervision rendered by the commission, which cost shall be determined by said commission, shall be a charge against the trust and shall be paid as an expense of administration.

(d) The trustees of such trust shall be known collectively as "the trustees of the segregated trust of (name of bank)" and in that name may sue and be sued and perform the duties imposed on them by law and the provisions of the agreement or court order creating such trust. A certificate issued by the banking commission shall be sufficient proof of the creation of such trust, of the appointment and qualification of the persons named therein to act as trustees and of the powers of the trustees.

(20) If any part or provision of this section or of any subsection thereof shall be invalid, the remaining parts and provisions shall not be affected thereby but shall stand without such part or provision. [*Spl. S. 1931 c. 10 s. 8, 9; Spl. S. 1931 c. 15 s. 2; 1933 c. 6 s. 4; 1933 c. 362 s. 1, 2; 1933 c. 477; 1935 c. 245; 1937 c. 284; 1941 c. 154*]

Note: As to liability of stockholders and the enforcement by the banking commissioner, see note to 221.51, citing *Schwenker v. Reedal*, 205 W 376, 238 NW 603.

A secured creditor of a bank in liquidation was entitled to receive dividends upon the full amount of its claim without deducting the amount realized by the sale of the collateral security, under a rule of property long established in this state, and not affected, so far as this case is concerned, by chapter 477, Laws 1933, making a different rule applicable to bank liquidations. *First Wis. Nat. Bank v. Kingston*, 213 W 681, 252 NW 153.

The commissioners of banking have not complete discretion as to the bringing of actions upon causes of action belonging to a bank in their hands, but a creditor of the bank cannot, upon the refusal of the commissioners to act, maintain an action upon a cause of action belonging to the bank without a court order authorizing such action. *Pallange v. First Wisconsin Nat. Bank*, 216 W 418, 256 NW 708.

In action on bank stockholder's liability, exclusion of evidence respecting contracts between bank and another bank, alleged to have relieved bank in liquidation of liability to depositors, was proper, since such defense was not available in such action after stockholder's failure to interpose it at proper time under statute. *Schafer v. Bickel*, 217 W 278, 258 NW 797.

Bank stockholder who failed to contest claim under (8) could not assert, in suit by commissioner to recover statutory assessment, that claim against bank was improperly allowed. *Kingston v. Crendon*, 218 W 252, 260 NW 453.

Under 220.08 (5), Stats. 1933, a claim of a creditor against an insolvent bank in liquidation must be presented to the banking commission in charge before an action thereon can be brought by the claimant against the commission. The supervisory power of the circuit court over the commission may not be invoked by a claimant until the commission has refused to receive the claim as coming too late, in which

event the court may, on a proper showing, grant the claimant permission to file his claim. Where a claimant is permitted to file his claim against an insolvent bank in liquidation after the expiration of the time originally fixed by the commission, he can share in the assets by means of dividends only to the extent of assets in the hands of the commission at the time of the filing of his claim and cannot share in past dividends. In re *Bank of Viroqua*, 232 W 644, 288 NW 266.

The banking commission in the liquidation of an insolvent bank, although in some respects representing a public interest as opposed to a private interest, is in effect a statutory receiver, and the commission as a litigant, as in an action to enforce a stockholder's statutory liability, is subject to the rules of court procedure the same as any other litigant. *Banking Comm. v. Flanagan*, 233 W 405, 289 NW 647.

Special deputy commissioners of banking have no power to issue subpoenas. 20 Atty. Gen. 439.

Commissioner of banking is required to get his order for sale of real estate and personal property of banking corporation for liquidation from circuit court. 20 Atty. Gen. 623.

Where stockholder in bank taken over by commissioner claims right to rescind his subscription on ground of fraud and files claim for deposit which had been offset against his subscription note, commissioner should reject claim under (5). 20 Atty. Gen. 896.

Commissioner may pay liquidating dividends to shareholders on account of their deposit. Subsection (10) does not change general rule in regard to payment of liquidating dividends. 20 Atty. Gen. 994.

Reorganization plan may include consolidation with another reorganizing bank, waiver of stockholders' statutory liability, and organization of new corporation, but plan must be agreed to by necessary percentage of creditors of each bank, may not waive statutory liability of stockholders in reorganized bank. 21 Atty. Gen. 443.

Plan whereby, after what is known as

technical closing by commissioner of banking and making of statutory one hundred per cent assessment of stock, institution should reopen with fifty per cent of capital stock and upon deferred payment of deposits plan, funds secured by assessment to be used in institution in ordinary course of business, is irregular. 21 Atty. Gen. 449.

Creditors of closed bank are entitled to interest if assets are sufficient to pay claims in full. Interest is computed from time of

suspension of bank and at legal rate. It is immaterial that it will be necessary to use funds derived from statutory assessments collected from stockholders. 24 Atty. Gen. 503.

Section 220.08 (19), Stats. 1935, applies to all segregated trusts, including those created previously to its enactment, and trustees thereof are liable for expenses of banking commission in examining and supervising trust. 26 Atty. Gen. 363.

220.081 Closed insured banks; federal deposit insurance corporation may be receiver. (1) The banking commission may, in the event of the closing of any bank which is a member of the federal deposit insurance corporation or the deposits in which are to any extent insured by said corporation, tender to said corporation the appointment as statutory receiver of such bank and if the corporation accepts said appointment, the corporation shall have and possess all the powers and privileges given by the laws of this state to the banking commission as statutory receiver of a closed bank and be subject to all the duties of the banking commission as such statutory receiver, except in so far as such powers, privileges, or duties are in conflict with the provisions of subsection 1 of section 8 of said banking act of 1933, or any other applicable federal laws.

(2) In the event said federal deposit insurance corporation shall accept the appointment as such receiver, it is hereby authorized and empowered to be and act without bond as such receiver.

(3) Upon the acceptance of the appointment as receiver of any delinquent bank by said federal deposit insurance corporation, the possession of and title to all the assets, business and property of such bank of every kind and nature shall pass to and vest in said corporation without the execution of any instruments of conveyance, assignment, transfer or indorsement; and the right to take such action as may be necessary to enforce the individual liability of the stockholders as provided under section 221.42 shall vest in said corporation.

(4) The banking commission or the federal deposit insurance corporation being in possession of any delinquent bank may, as receiver of such bank and upon the order of the circuit court for the county in which such bank is located, borrow money from the federal deposit insurance corporation and secure the payment of such loan by the mortgage pledge, transfer in trust or hypothecation of any or all of the property and assets of such delinquent bank and upon like order may sell to said federal deposit insurance corporation any or all of the property and assets of such delinquent bank. [1935 c. 469; 1937 c. 284 s. 1]

220.082 Closed insured banks; subrogation of federal deposit insurance corporation. Whenever any bank whose deposits are in whole or in part insured pursuant to any federal laws, shall have been closed on account of the inability to meet the demands of its depositors, and the federal deposit insurance corporation or its successors shall pay or make available for payment the insured deposit liabilities of such closed institution, the corporation or its successors, whether or not the same shall have become receiver or liquidator of such closed bank, shall be subrogated to all rights against such closed bank, or the owner of such insured deposits with like force and effect as if the closed bank were a national bank, to the extent now or hereafter necessary to enable said corporation, under federal law, to make insured payments available to depositors of closed insured banks. [1935 c. 469; 1937 c. 284 s. 1]

220.083 [Repealed by 1935 c. 245]

220.085 Federal aid to banks. On approval of the banking review board, any state bank or trust company, or the receiver of any insolvent or delinquent state bank or trust company, may take advantage of any act that may be enacted by the congress of the United States for the relief of any state banks or trust companies. [Spl. S. 1931 c. 26 s. 2]

Note: In so far as 221.33 is inconsistent with terms and conditions of loan determined by Reconstruction Finance Corporation and adequate security required, it does not apply to such loans. 21 Atty. Gen. 381.

220.086 Receiver of delinquent bank may borrow from federal government agency; court order. The banking commission, having taken possession of any delinquent bank, may, as receiver of such bank, and upon the order of the circuit court for the county in which such bank is located, borrow money from any agency of the federal government, upon such terms and conditions as may be satisfactory to such federal agency, and issue evidences of indebtedness therefor, and secure the payment of such loan by the mortgage, pledge, transfer in trust, or hypothecation of any or all of the property and assets of such delinquent bank. [Spl. S. 1933 c. 19]

220.09 Indemnity fund, national bank. Every national bank which has been granted a special permit by the federal reserve board to act in a fiduciary capacity under the provisions of subsection (k) of section 11, of the federal reserve act shall deposit with the state

treasurer security, approved by the banking commission, in the manner which is required of trust company banks organized under the provisions of section 223.02. Such securities shall be of the same nature as the security designated by the provisions of such section for the deposit by trust companies organized under the laws of this state. Such national bank, so long as it shall continue solvent and comply with the laws of this state applicable thereto, may be permitted by the banking commission to collect the interest on the security so deposited and from time to time withdraw the said securities or any part thereof provided that securities or cash of the amount and value required by this section shall at all times be maintained on deposit. [1935 c. 245]

220.10 Books and accounts; commission's control. (1) Whenever it shall appear to the banking commission that any bank does not keep books and accounts in such manner as to enable it to readily ascertain the true condition of such bank, it shall have power to require the officers of such bank, or any of them, to open and keep such books or accounts as it may in its discretion determine and prescribe for the purpose of keeping accurate and convenient records of the transactions and accounts of such bank. Any bank that refuses or neglects to open and keep such books or accounts, as may be prescribed by the banking commission, shall be subject to a penalty of ten dollars for each day it neglects and fails to open and keep such prescribed books and accounts. [1937 c. 284 s. 3]

220.11 Location of bank, how removed. In the event that any two banks shall be doing business in the same building, upon the same floor, and in such close proximity as to interfere with the proper examination of either bank, the banking commission may require either of said banks to remove its banking office to some other location within such reasonable time as may be fixed by the banking commission. [1937 c. 284 s. 3]

220.12 Attorney-general, duty of. All proceedings by any bank to enjoin the banking commission in the discharge of its duties shall be had in the county where said bank is located, or in the supreme court of this state. All suits and proceedings arising out of the provisions of this act, in which the state, or any of its officers or agents shall be parties, shall be conducted under the direction and supervision of the attorney-general. [1937 c. 284 s. 3]

220.13 Copies as evidence. Copies of all records and papers in the office of the banking commission, certified by it and authenticated by its seal of office, shall be evidence in all cases equally and of like effect as the original. [1937 c. 284 s. 3]

220.14 Annual report. During the month of December of each year, the banking commission shall make an annual report to the governor of the state, which report shall be published and shall exhibit the condition of the various banks of the state as of the day of the last report made to the banking commission by such banks; and such report shall contain a statement of the condition of every bank from which reports have been received, with an abstract of the whole amount of capital returned by them, the whole amount of their liabilities, the total amount of resources, and specifying the amount of lawful money held by banks at the time of their several returns, and shall give a tabulated statement of the resources and liabilities of each bank, and such other information as in its judgment may be required. Such report shall also contain a statement of the banks whose business has been closed during the year, the amount of their resources and liabilities, and the amount paid to the creditors thereof; also a statement of any banks organized during the year; and the names of the directors and officers of each bank. It shall also report the names and compensation of the clerks employed by it, and the whole amount of the expense of the banking department during the year preceding. Such report shall include a report by the banking review board containing the names and compensation of members and employes during the preceding year and a summary of the acts and services of such board during such year. [Spl. S. 1931 c. 10 s. 10; 1937 c. 284 s. 3]

220.15 Bank collection code. (1) **DEFINITIONS.** For the purposes of this section:

(a) The term "bank" shall include any person, firm or corporation engaged in the business of receiving and paying deposits of money within this state. A branch or office of any such bank shall be deemed a bank for the purpose of this act.

(b) The term "item" means any check, note or other instrument providing for the payment of money.

(2) **BANK AS AGENT OF DEPOSITOR.** Except as otherwise provided by agreement and except as to subsequent holders of a negotiable instrument payable to bearer or indorsed specially or in blank, where an item is deposited or received for collection, the bank of deposit shall be agent of the depositor for its collection and each subsequent collecting bank shall be subagent of the depositor but shall be authorized to follow the instructions of its immediate forwarding bank and any credit given by any such agent or subagent bank therefor shall be revocable until such time as the proceeds are received in actual money or an unconditional credit given on the books of another bank, which such agent has requested or accepted. Where any such bank allows any revocable credit for an

item to be withdrawn, such agency relation shall nevertheless continue except the bank shall have all the rights of an owner thereof against prior and subsequent parties to the extent of the amount withdrawn.

(3) CREDIT PROVISIONAL. A credit given by a bank for an item drawn on or payable at such bank shall be provisional, subject to revocation at or before the end of the day on which the item is deposited in the event the item is found not payable for any reason. Whenever a credit is given for an item deposited after banking hours such right of revocation may be exercised during the following business day.

(4) INDORSEMENT, EFFECT. (a) An indorsement of an item by the payee or other depositor "for deposit" shall be deemed a restrictive indorsement and indicate that the indorsee bank is an agent for collection and not owner of the item.

(b) An indorsement "pay any bank or banker" or having equivalent words shall be deemed a restrictive indorsement and shall indicate the creation of an agency relation in any subsequent bank to whom the paper is forwarded unless coupled with words indicating the creation of a trustee relationship; and such indorsement or other restrictive indorsement whether creating an agency or trustee relationship shall constitute a guaranty by the indorser to all subsequent holders and to the drawee or payor of the genuineness of and the authority to make prior indorsements and also to save the drawee or payor harmless in the event any prior indorsement appearing thereon is defective or irregular in any respect unless such indorsement is coupled with appropriate words disclaiming such liability as guarantor.

(c) Where a deposited item is payable to bearer or indorsed by the depositor in blank or by special indorsement, the fact that such item is so payable or indorsed shall not change the relation of agent of the bank of deposit to the depositor, but subsequent holders shall have the right to rely on the presumption that the bank of deposit is the owner of the item. The indorsement of an item by the bank of deposit or by any subsequent holder in blank or by special indorsement or its delivery when payable to bearer, shall carry the presumption that the indorsee or transferee is owner provided there is nothing upon the face of the paper or in any prior indorsement to indicate an agency or trustee relation of any prior party. But where an item is deposited or is received for collection indorsed specially or in blank, the bank may convert such an indorsement into a restrictive indorsement by writing over the signature of the indorser the words "for deposit" or "for collection," or other restrictive words to negative the presumption that such bank of deposit or indorsee bank is owner; and in the case of an item deposited or received for collection payable to bearer, may negative such presumption by indorsing thereon the words "received for deposit" or "received for collection" or words of like import.

(5) DUTY OF AGENT, LIABILITY. It shall be the duty of the initial or any subsequent agent collecting bank to exercise ordinary care in the collection of an item and when such duty is performed such agent bank shall not be responsible if for any cause payment is not received in money or an unconditional credit given on the books of another bank, which such agent bank has requested or accepted. An initial or subsequent agent collecting bank shall be liable for its own lack of exercise of ordinary care but shall not be liable for the neglect, misconduct, mistakes or defaults of any other agent bank or of the drawee or payor bank.

(6) PLACE OF PAYMENT. (a) Where an item is received on deposit or by a subsequent agent bank for collection, payable in another town or city, it shall be deemed the exercise of ordinary care to forward such item by mail, not later than the business day next following its receipt either (1) direct to the drawee or payor in the event such drawee or payor is a bank or (2) to another bank collecting agent according to the usual banking custom, either located in the town or city where the item is payable or in another town or city.

(b) Where an item is received on deposit or by a subsequent agent bank for collection, payable by or at another bank in the same town or city in which such agent bank is located, it shall be deemed the exercise of ordinary care to present the item for payment at any time not later than the next business day following the day on which the item is received either (1) at the counter of the drawee or payor by agent or messenger or (2) through the local clearing house under the regular established procedure, or according to the usual banking custom where the collecting or payor bank is located in an outlying district.

(c) The designation of the above methods shall not exclude any other method of forwarding or presentment which under existing rules of law would constitute ordinary care.

(7) MAIL RECEIPT. Where the item is received by mail by a solvent drawee or payor bank, it shall be deemed paid when the amount is finally charged to the account of the maker or drawer.

(8) BILLS FORWARDED. Where an agent bank forwards an item for collection, it shall not be responsible for its loss or destruction in transit, or, when in the possession of

others, for its inability to repossess itself thereof, provided there has been no lack of ordinary care on its part.

(9) **ORDINARY CARE.** Where ordinary care is exercised, any agent collecting bank may receive in payment of an item without becoming responsible as debtor therefor, whether presented by mail, through the clearing house or over the counter of the drawee or payor, in lieu of money, either (a) the check or draft of the drawee or payor upon another bank or (b) the check or draft of any other bank upon any bank other than the drawee or payor of the item or (c) such method of settlement as may be customary in a local clearing house or between clearing banks or otherwise; provided that whenever such agent collecting bank shall request or accept in payment an unconditional credit which has been given to it on the books of the drawee or payor or on the books of any other bank, such agent collecting bank shall become debtor for such item and shall be responsible therefor as if the proceeds were actually received by it in money.

(10) **ORDINARY CARE.** Where ordinary care is exercised, any agent collecting bank may receive from any subsequent bank in the chain of collection in remittance for an item which has been paid, in lieu of money, the check or draft of the remitting bank upon any bank other than itself or the drawee or payor of the item or such other method of settlement as may be customary; provided that whenever such agent collecting bank shall request or accept an unconditional credit which has been given to it on the books of the remitting bank or on the books of any other bank, such agent collecting bank shall become debtor for such item and shall be responsible therefor as if the proceeds were actually received by it in money.

(11) **PRESENTMENT BY MAIL.** Where an item is duly presented by mail to the drawee or payor, whether or not the same has been charged to the account of the maker or drawer thereof or returned to such maker or drawer, the agent collecting bank so presenting may, at its election, exercised with reasonable diligence, treat such item as dishonored by nonpayment and recourse may be had upon prior parties thereto in any of the following cases:

(a) Where the check or draft of the drawee or payor bank upon another bank received in payment therefor shall not be paid in due course;

(b) Where the drawee or payor bank shall without request or authority tender as payment its own check or draft upon itself or other instrument upon which it is primarily liable;

(c) Where the drawee or payor bank shall give an unrequested or unauthorized credit therefor on its books or the books of another bank; or

(d) Where the drawee or payor shall retain such item without remitting therefor on the day of receipt or on the day of maturity if payable otherwise than on demand and received by it prior to or on such day of maturity.

Provided, however, that in any case where the drawee or payor bank shall return any such item unpaid not later than the day of receipt or of maturity as aforesaid in the exercise of its right to make payment only at its own counter, such item cannot be treated as dishonored by nonpayment and the delay caused thereby shall not relieve prior parties from liability.

Provided further that no agent collecting bank shall be liable to the owner of an item where, in the exercise of ordinary care in the interest of such owner, it makes or does not make the election above provided or takes such steps as it may deem necessary in cases (b), (c) and (d) above.

(12) **DISHONOR, NOTICE.** In case of the dishonor of an item duly presented by mail as provided for in the next preceding section, notice of dishonor of such item to prior parties shall be sufficient if given with reasonable diligence after such dishonor; and further in the event of failure to obtain the return of any such item notice of dishonor may be given upon a copy or written particulars thereof, and delay in giving notice of dishonor caused by an attempt with reasonable diligence to obtain return of such item shall be excused.

(13) **CLOSED BANKS, PROCEDURE.** (a) When the drawee or payor, or any other agent collecting bank shall fail or be closed for business by the banking commission or by action of the board of directors or by other proper legal action, after an item shall be mailed or otherwise entrusted to it for collection or payment but before the actual collection or payment thereof, it shall be the duty of the receiver or other official in charge of its assets to return such item, if same is in his possession, to the forwarding or presenting bank with reasonable diligence.

(b) Except in cases where an item or items is treated as dishonored by nonpayment as provided in subsection (11), when a drawee or payor bank has presented to it for payment an item or items drawn upon or payable by or at such bank and at the time has on deposit to the credit of the maker or drawer an amount equal to such item or items and such drawee or payor shall fail or close for business as above, after having charged such

item or items to the account of the maker or drawer thereof or otherwise discharged his liability thereon but without such item or items having been paid or settled for by the drawee or payor either in money or by an unconditional credit given on its books or on the books of any other bank, which has been requested or accepted so as to constitute such drawee or payor or other bank debtor therefor, the assets of such drawee or payor shall be impressed with a trust in favor of the owner or owners of such item or items for the amount thereof, or for the balance payable upon a number of items which have been exchanged, and such owner or owners shall be entitled to a preferred claim upon such assets, irrespective of whether the fund representing such item or items can be traced and identified as part of such assets or has been intermingled with or converted into other assets of such failed bank.

(c) Where an agent collecting bank other than the drawee or payor shall fail or be closed for business as above, after having received in any form the proceeds of an item or items entrusted to it for collection, but without such item or items having been paid or remitted for by it either in money or by an unconditional credit given on its books or on the books of any other bank which has been requested or accepted so as to constitute such failed collecting or other bank debtor therefor, the assets of such agent collecting bank which has failed or been closed for business as above shall be impressed with a trust in favor of the owner or owners of such item or items for the amount of such proceeds and such owner or owners shall be entitled to a preferred claim upon such assets, irrespective of whether the fund representing such item or items can be traced and identified as part of such assets or has been intermingled with or converted into other assets of such failed bank.

(14) EXCEPTIONS. The provisions of this section shall not apply to transactions taking place prior to the time when it takes effect.

(15) EXCEPTIONAL CASES, RULE. In any case not provided for in this section the rules of law and equity, including the law merchant and those rules of law and equity relating to trusts, agency, negotiable instruments and banking, shall continue to apply.

(16) INTERPRETATION. This section shall be so interpreted and construed as to effectuate its general purpose to make uniform the law of those states which enact it.

(17) CITATION. This section may be cited as the "Bank Collection Code."

(18) REPEALS. All sections or parts of sections inconsistent with this section are hereby repealed. [1937 c. 284 s. 3]

Note: The provisions of (13) (c), constituting part of the bank collection code, are construed as meaning that the collecting bank remains the agent of the customer until (a) it has paid or remitted for the items to the customer in money, or (b) has given

an unconditional credit on its books to the customer, or (c) the customer has requested a credit on the books of some other bank, or has accepted such credit so as to constitute such other bank the debtor of the customer. State v. Kingston, 215 W 80, 254 NW 126.

220.17 Effect of consolidating banks and trust companies. (1) Whenever two or more banks or trust companies, including national banks, authorized to do a banking business in the state of Wisconsin, shall be consolidated under the charter of one of the consolidating banks or trust companies, or under a new charter issued to such consolidated institution, the rights, interests and franchises of any bank or trust company joining in or party to such consolidation in and to every species of property, real, personal and mixed and choses in action thereto belonging, shall be deemed transferred to and vested in the consolidated bank or trust company without any deed, indorsement or other instrument of transfer, and the consolidated bank or trust company shall take, hold and enjoy the same and all rights of property, franchises and interests in the same manner and to the same extent as were held and enjoyed by such consolidating banks and/or trust companies at the time of such consolidation.

(2) And such consolidated bank or trust company, if authorized to perform fiduciary services, as of the time of the taking effect of such consolidation shall succeed to all rights, obligations, relations and trusts, and the duties and liabilities connected therewith, held by any bank or trust company party to such consolidation, and without further appointment shall act as trustee, executor, administrator or in any other fiduciary capacity in which any such consolidating bank or trust company was acting at the time of such consolidation, and shall execute and perform each and every such trust or relation in the same manner as if the consolidated bank or trust company itself had assumed the trust or relation, including the obligations and liabilities connected therewith. And such consolidated bank or trust company shall be entitled to be appointed or to act as trustee or executor or other fiduciary to the same extent and with the same effect as would any bank or trust company party to such consolidation if prior thereto any bank or trust company party to such consolidation has been designated as trustee or any other fiduciary in any trust deed or other writing, or has been nominated as executor in any will. [1931 c. 395]

220.18 Bank or corporation notaries; permitted acts. It shall be lawful for any notary public who is a stockholder, director, officer or employe of a bank or other corpora-

tion to take the acknowledgment of any party to any written instrument executed to or by such corporation, or to administer an oath to any other stockholder, director, officer, employe or agent of such corporation, or to protest for nonacceptance or nonpayment bills of exchange, drafts, checks, notes and other negotiable instruments which may be owned or held for collection by such corporation, if such notary is not a party to such instrument, either individually or as a representative of such corporation. [1933 c. 167; 1935 c. 245]

220.19 Demand instruments presented one year after date; option to refuse payment. Where a check or other instrument payable on demand at any bank or trust company doing business in this state is presented for payment more than one year from its date, such bank or trust company may, unless expressly instructed by the drawer or maker to pay the same, refuse payment thereof and no liability shall thereby be incurred to the drawer or maker for dishonoring the instrument by nonpayment. [1937 c. 191]

220.20 Redemption of bank scrip. All moneys deposited with the banking commission for the redemption of bank scrip shall be turned over to the state treasury by said commission and shall be kept in a separate fund. All bank scrip to be redeemed shall be presented to the banking commission. If the commission determines that the scrip so presented is a proper claim against the redemption fund, it shall certify to the secretary of state the name and address of the person entitled to redemption and the amount thereof and shall attach such scrip to said certificate. The secretary of state shall thereupon draw his warrant on the state treasurer for payment of the amount stated in said certificate to the person named therein. After the lapse of thirty days from the date of such payment, the secretary of state shall promptly destroy the scrip so redeemed. [1935 c. 245]

220.21 and 220.22 [Repealed by 1935 c. 245]

220.225 City scrip. In an emergency a city may issue scrip for the purpose of paying current expenses. The amount of scrip issued shall not exceed the interest of such city in delinquent real estate taxes for the preceding three years. Until such scrip has been redeemed in full, all money received by such city from such delinquent taxes after the issuance of such scrip shall be used for the sole purpose of redeeming such scrip. This section shall not be construed as amending or affecting in any manner the provisions of subsection (9) of section 67.12. The amount of scrip issued under this section shall not be considered an indebtedness of such city and shall not be included in arriving at the five per centum debt limitation under section 3 of article XI of the constitution. [1935 c. 331; 1937 c. 115]

220.23 [Repealed by 1935 c. 245]

220.24 [Renumbered section 220.18 by 1935 c. 245]

220.25 Escheat of bank deposits. (1) When any person shall die intestate, without heirs, leaving on deposit or otherwise any fund, funds or property of any kind with any banking institution, or shall abandon such fund, funds or property, the same shall escheat to and become the property of the state, to be disposed of in the same manner as other escheated property. The term "banking institution" shall include every banker, bank, branch bank or trust company within the state.

(2) Any person who shall have on deposit or otherwise with any banking institution any fund, funds or property of any kind, and shall not deal therewith for a period of twenty years by adding to or withdrawing therefrom, and shall not have asserted any claim to such fund, funds or property for such period, shall be presumed, unless shown to the contrary, to have died intestate, without heirs, or to have abandoned such fund, funds or property.

(3) (a) It shall be the duty of every banking institution which holds on deposit or otherwise any fund, funds or property of any kind, known by such banking institution to have escheated to the state, to inform the attorney-general of such fact within thirty days after it becomes known to such banking institution.

(b) The cashier or managing officer of every banking institution shall, within thirty days after the first of January, annually return to the secretary of state a sworn statement in duplicate showing the names of persons who have left on deposit or otherwise any fund, funds or property of the value of ten dollars, or more, and have not dealt with respect thereto for a period of twenty years by adding to or withdrawing therefrom, or asserting any claim to such fund, funds or property for such period, unless known to such officer to be living. Such statement shall show the amount of such deposit, including interest, or the value and nature of such property, and the depositor's or owner's last known place of residence or business. Such subscribing officer shall certify that said report is a complete and correct statement of all such unclaimed funds and property to the best of his knowledge, after diligent inquiry. The duplicate copy of such report shall be delivered by the secretary of state to the attorney-general immediately upon its receipt.

(c) The cashier or managing officer of every banking institution shall, within thirty days after the first day of January, every five years commencing January 1, 1936, return

to the secretary of state, a sworn statement showing the names of persons who have left on deposit or otherwise any fund, funds or property of the value of ten dollars, or more, and have not dealt with respect thereto for a period of ten years by adding to or withdrawing therefrom, or asserting any claim to such fund, funds or property for such period. Such statement shall show the amount of such deposit, including interest, or the value and nature of such property and the depositor's or owner's last known place of residence or business; such subscribing officer shall certify that said report is a complete and correct statement of all such unclaimed funds and property to the best of his knowledge, after diligent inquiry.

(d) The secretary of state shall have the aforementioned reports permanently bound with an alphabetical index of the depositors, or owners, with an appropriate reference to the bound reports, and such bound reports and index shall be open to public inspection.

(e) A copy of the reports required by paragraphs (c) and (d), together with a notice directed to whom it may concern, stating that such deposits or property have been unclaimed for a period of ten or twenty years, as the case may be, and requesting all persons having knowledge or information relative to the whereabouts of such depositors or other possible claimants to give such information to the subscribing officer, shall be displayed in a prominent place in such bank for a period of thirty days from the date of the filing of such report, and in cases provided by paragraph (c), a copy of such report and notice shall be published once each week for four consecutive weeks in a newspaper of general circulation in the county where such bank is located, and the expense of publication shall be deducted proportionately from such deposits.

(4) If, upon investigation, the attorney-general shall conclude or have reason to believe that any fund, funds or other property have escheated to the state, he shall institute proper proceedings under the provisions of this section to have such funds or property adjudged the property of the state and transmitted to the state treasurer. Such suit shall be commenced by the attorney-general in the name of the state in the circuit court of Dane county, and the bank or banks in which the funds or property are deposited, and the names of the depositors or owners, as reported, shall be joined as parties.

(5) (a) Service of process in such action or actions shall be made by the delivery of a copy of the summons and complaint to an officer of each of the defendant banks and by publication of a copy of such summons once each week for four consecutive weeks in a newspaper of general circulation published in the county in which the depository is located. With the summons, a notice shall also be published, giving the title of such action and referring to the complaint therein, and directed to all persons other than those named as defendants therein, claiming any interest in any deposit or property mentioned in said complaint, and requiring them to appear within sixty days after the first publication of such summons and show cause, if any they have, why it shall not be adjudged that the owners of such deposits or property have died intestate without heirs, or have abandoned such deposits or property, and why such funds or property have not escheated and should not be deposited with the state treasurer as herein provided, and notifying them that if they do not so appear and show cause, the state will apply to the court for the relief demanded in the complaint. At the end of such notice there shall be a statement of the date of the first publication of said summons and notice.

(b) Any person interested may appear in such action and become a party thereto. Upon the service of the summons and complaint upon the defendant bank or banks, and upon the completion of the publication of the summons and notice and the elapse of sixty days from the date of the first publication of said summons and notice, the court shall have full and complete jurisdiction over such deposits and property and of the person of every one having or claiming any interest in said deposits or property, and shall have full and complete jurisdiction to hear and determine the issues therein and render the appropriate judgment thereon.

(c) If, upon the trial of such action, it shall adjudge that the lawful owner of such funds or property has died intestate without heirs, or has abandoned such funds or property, it shall be adjudged that such funds or property has escheated to the state, and the banking institution in which such funds or property are on deposit shall forthwith deliver same to the state treasurer to be received by such treasurer and be dealt with in the same manner as other escheated property.

(d) Any person not appearing in such action can sue the state to recover such funds or property, with interest thereon at such rate as would have been received had said property been permitted to remain in the original depository, for a period of five years after the entry of such judgment, and in case such person be an infant or under disability, the period of limitation is extended to one year after the removal of such disability.

(e) Any banking institution which shall violate any of the provisions of this section shall forfeit to the state the sum of one hundred dollars for every day that such violation continues. [1935 c. 294]

Note: This section, in referring to "fund, funds or property" left or had "on deposit or otherwise," applies as well to unclaimed cashier's checks, certified checks and drafts as to unclaimed deposits, and the statute is not unconstitutional as thus applied, since all such unclaimed items, in a banking institution having its place of business within the state, are intangible property subject, like tangible property, to the dominion of the state. That the statute of limitations may have destroyed the depositor's or other person's right of action to recover the funds from the bank does not give the bank a right to retain the unclaimed funds as against the state. *State v. Marshall & Ilsley Bank*, 234 W 375, 291 NW 361.

This section applies to national banks in receivership. 25 Atty. Gen. 303.

Trust company holding unclaimed funds deposited more than ten years ago, for payment of interest on bonds, must file report under (3) (c) even though identity of some of bondholders is known. 25 Atty. Gen. 420.

In construing this section bank deposits escheated to state can be deposited with state treasurer by secretary of state without legal proceedings. (3) (a) applies only to bank deposits known to have escheated to state where person dies intestate. 26 Atty. Gen. 64.

See note to 14.42, citing 26 Atty. Gen. 390.